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NSC FOR NEA STAFF

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HQ USAF FOR XXXX  
DA WASHDC FOR SASA  
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CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR  
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD  
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD  
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SUBJECT: ISRAEL MEDIA REACTION

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SUBJECTS COVERED IN THIS REPORT:  
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1. Mideast
2. Iran

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Key stories in the media:  
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All media reported that in a conciliatory address to the summit in Sharm el-Sheikh PM Ehud Olmert declared in a surprise gesture that

he intends to ask the cabinet to approve the release of 250 prisoners from Fatah. Olmert said that he understands the importance of the prisoner issue to the other side.

All media cited an audio recording apparently released by Izz ad-Din al-Qassam, the military branch of Hamas, in which abducted IDF Cpl. Gilad Shalit asks the government to free Palestinian prisoners. Shalit said that his health is deteriorating. Media quoted Israeli defense sources as saying that the identity of the group holding Shalit is uncertain. Israel Radio quoted a senior Israeli defense source as saying that the Popular Resistance Committees, which splintered from Hamas, is the group detaining Shalit, and that Hamas leaders Khaled Mashal and Ismail Haniyeh are unaware of Shalit's whereabouts or of how he can be freed. Commentators and defense sources say that Hamas is showing its weakness. The media reported that Israeli politicians were divided along Left/Right lines regarding the way Israel should respond to Hamas. Media quoted Shas Chairman and Industry Minister Eli Yishai as saying that the government should consider direct talks with Hamas over Shalit. Maariv noted that Hamas demands the release of 1,400 prisoners in exchange for Shalit. The Jerusalem Post reported that a senior Egyptian government official told the newspaper in Sharm el-Sheikh on Monday -- before the publication of the audio recording -- that Egypt has decided to resume its efforts to release kidnapped IDF Cpl. Gilad Shalit.

Israel Radio quoted a senior GOI source as saying that Israel should put an end to its efforts to arrest Fatah militants -- especially Al-Aqsa Martyrs Brigades members -- in the West Bank if they stop receiving funds from Iran and cease their actions against Israel. The source was quoted as saying that they have turned into the essential force against Hamas.

Leading media quoted sources close to the Quartet as saying that outgoing British PM Tony Blair could be named to a top post in Middle East peacemaking as early as today. The Jerusalem Post wrote that diplomats of the Quartet will meet at the US Consulate-General in Jerusalem today, with Assistant Secretary of State for Near Eastern Affairs David Welch representing the US. The Jerusalem Post reported that Russian FM Sergey Lavrov -- whose comments regarding developments in Gaza have caused some irritation in Jerusalem -- will arrive in Jerusalem on Wednesday to assert Russian involvement in the quickly moving diplomatic developments on the ground.

Ha'aretz and The Jerusalem Post printed an AP wire report that Al-Qaida number two Ayman al-Zawahiri voiced his support for Hamas after its fighters seized control of the Gaza Strip, according to a recording posted on the Internet on Monday. Al-Zawahiri urged Muslims around the world to back Hamas with weapons, money, and attacks on the US and Israel. AP said that Hamas appeared uncomfortable with Al-Zawahiri's approach.

The Jerusalem Post quoted Israeli defense officials as saying that recent events in southern Lebanon -- Sunday's attack and last week's Katyusha rocket fire -- proved the UNIFIL needed a stronger mandate and one that would enable it to better counter the growing threats it faced.

The Jerusalem Post and Israel Radio reported that Iran has invited an International Atomic Agency team to Tehran to work on a plan for clearing up suspicion about its nuclear program.

Yediot reported that PM Olmert will not name Likud Chairman Binyamin Netanyahu finance minister. The two men met on Monday. Leading media reported that Labor MK Ami Ayalon told Labor Party Chairman and Defense Minister Ehud Barak that he is giving up the education portfolio.

All media reported on the wave of lethal violence in Iraq on Monday.

Major media reported that on Monday Egypt's State Security Court sentenced an Egyptian nuclear scientist to life imprisonment with hard labor for spying for Israel. Mohammed Sayyed Saber, 35, was convicted of passing nuclear secrets to the Mossad in exchange for USD 17,000. Two foreign nationals, an Irishman and a Japanese man, were convicted in absentia and also sentenced to life imprisonment for their part in the affair. Saber pleaded not guilty. He

admitted turning over documents, but said they were outdated and that he advised the Egyptian authorities of what he was doing.

Ha'aretz reported that Israel is considering sending African refugees to Kenya. The newspaper also reported that Israel has resumed jailing Sudanese refugees who slip into the country along the Egyptian border. The Jerusalem Post reported that on Monday Interior Minister Roni Bar-On met with PM Olmert to present his policy recommendations on the growing number of refugees entering Israel from Africa. That policy will remain secret until an interministerial meeting on Thursday.

Yediot reported that Larissa Trimbovler, the wife of Yigal Amir, Yitzhak Rabin's assassin, is expecting a son.

Yediot reported that the National Bank of Egypt is suing Israel for its historical shares in Jerusalem's King David Hotel -- USD 78 million.

Yediot presented the results of a Mina Zemach (Dahaf Institute) poll:

"Do you support the release of hundreds of prisoners -- including murderers -- in exchange for Gilad Shalit's freedom?" Yes: 61 percent; no: 35 percent; 4 percent were undecided.

"Do you believe that the GOI is doing enough to return Gilad home?" No: 78 percent; yes: 18 percent; 4 percent were undecided.

#### 1. Mideast:

##### Summary:

Palestinian affairs correspondent Avi Issacharoff wrote on page one of the independent, left-leaning Ha'aretz: "Shalit's recording serves as a clear message from Hamas to Jerusalem: Israel's real partner for security issues is not Palestinian Authority Chairman Mahmoud Abbas: It is Hamas."

Senior columnist Nahum Barnea wrote in the popular, pluralist Yediot Aharonot: "The time has come for direct negotiations, with all the discomfort that goes with so doing. The government needs to aspire to secure Gilad Shalit's release at the lowest level of damage possible. All the rest, the formalities, the principles, the political reservations pale against that."

Arab affairs correspondent Jacky Hoogie wrote in the popular, pluralist Maariv: "Last week there were declarations about a window of opportunity in the air. To the same degree, this summit could also be the last nail in the coffin of the 'rais' from Ramallah."

The Director of the Interdisciplinary Center's Global Research in International Affairs Center, columnist Barry Rubin, wrote in the conservative, independent Jerusalem Post: "Even if you want to believe that Mahmoud Abbas is some peace-loving good guy, he is weak, incompetent, has no following, and no intention of really confronting the culture of terrorism and extremism his own group created and maintains."

##### Block Quotes:

#### I. "Why Now?"

Palestinian affairs correspondent Avi Issacharoff wrote on page one of the independent, left-leaning Ha'aretz (6/26): "Hamas is hoping that the cassette [containing a voice message from abducted IDF soldier Gilad Shalit] could help pressure Israel into renewing negotiations by imploring Egypt to resume its role as mediator, or to find other third parties. Hamas is seeking to undermine Israel's resistance to releasing the 450 prisoners whom Hamas is demanding in exchange for Shalit, by using Shalit's voice to stir up public opinion. In addition, Hamas is attempting to thwart a possible

release of Fatah militants jailed in Israel, hoping that no Israeli official will dare release prisoners who aren't part of a deal for Shalit's release. It is also trying to steal the show and make the Sharm el-Sheikh summit irrelevant. Finally, Shalit's recording serves as a clear message from Hamas to Jerusalem: Israel's real partner for security issues is not Palestinian Authority Chairman Mahmoud Abbas: It is Hamas."

## II. "Not at Every Price"

Senior columnist Nahum Barnea wrote in the popular, pluralist Yediot Aharonot (6/26): "Israel could have closed a deal a number of weeks ago that would have brought Gilad Shalit back home. The price was to release Hamas's entire military structure in the West Bank, a structure that the IDF and GSS successfully crumbled and sent to prison. That is a high price, perhaps unbearably high. It could bring the situation in the West Bank closer to the situation in Gaza. Gilad Shalit's captivity is an affair that is going to have to end in a deal. The right approach is to say yes to a high price, but not to every price. And to do so knowing that it will damage security and elicit a sense of national humiliation, but not to say yes to every damage. The timing of the deal and the final cost will ultimately be determined by the Prime Minister's gut feeling: the responsibility is his, and his alone.... Olmert went to Sharm el-Sheikh with the hope that the rift between Fatah and Hamas might receive the Arab world's blessing. He was in for a disappointment. Instead of praising Abu Mazen for having parted ways with Hamas, Mubarak called on him in his public speech to reunify the Palestinian people. Unification means reverting the situation to its previous state, to a government that is shared by Hamas and Fatah. From Israel's perspective that would be catastrophic. Abu Mazen is one thing and releasing Gilad Shalit is something entirely different. The time has come for direct negotiations, with all the discomfort that goes with so doing. The government needs to aspire to secure Gilad Shalit's release at the lowest level of damage possible. All the rest, the formalities, the principles, the political reservations pale against that."

## III. "Public Relations Show"

Arab affairs correspondent Jacky Hoogie wrote in the popular, pluralist Maariv (6/26): "Olmert eased many restrictions for the Palestinians, but Abu Mazen needs much more than that. He needs an Israeli display of courage. His hands are tied and his popularity is at a nadir. Only artificial resuscitation will save him. Abu Mazen needs an expansive Israeli move, which would include providing arms to stamp out Hamas, a prisoner release and giving thousands of workers the possibility of coming to Israel. Only if he is strengthened, will he be able to battle Hamas. If he is weakened, he will get the kiss of death. Last week there were declarations about a window of opportunity in the air. To the same degree, this summit could also be the last nail in the coffin of the 'rais' from Ramallah."

## IV. "The Fall of the House of Yasser"

The Director of the Interdisciplinary Center's Global Research in International Affairs Center, columnist Barry Rubin, wrote in the conservative, independent Jerusalem Post (6/26): "Ask yourselves one simple question: Do you really believe that the Hamas coup is going to scare Fatah straight? Are these leaders and ideologues really going to learn their lesson? Well, this seems to be the main assumption of political leaders and the media in democratic countries. After all, to paraphrase Samuel Johnson, facing the hangman greatly concentrates the mind. But wait a minute! The PLO, Fatah, and their hierarchies have made a whole career about facing the hangman and tweaking his nose while giggling madly. If they had learned from, say, September 1970 in Jordan or other disasters it would have been sufficient for them to get on the right path..... Don't get me wrong. I do believe Fatah is preferable to Hamas -- though the gap is far narrower than all too many people seem to think. But even if you want to believe that Mahmoud Abbas is some peace-loving good guy, he is weak, incompetent, has no following, and no intention of really confronting the culture of terrorism and extremism his own group created and maintains. He will also never give up the demand that all Palestinians should be able to live in pre-1967 Israel which is a deeply personal belief of his."

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12. Iran:  
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Summary:  
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Senior columnist and longtime dove Yoel Marcus wrote in the independent, left-leaning Ha'aretz: "We do not need to give the United States any ideas, or prod it into action. European countries and the Gulf states are also targets, and they are the ones who have the power to cripple Iran with their economic sanctions and boycotts."

Block Quotes:  
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"There are Other Ways to Subdue Iran"

Senior columnist and longtime dove Yoel Marcus wrote in the independent, left-leaning Ha'aretz (6/26): "Every time President Bush hints that he still supports a military operation against Iran, I break out in hives. No matter what we wish for in our hearts, a US attack on Iran is not in Israel's interest. Number one, the American military is klutzy. Number two, Iran will take its fury out on us by sending a barrage of Shihab missiles our way. Over the past 50 years, the Americans have lost every war they started: the Bay of Pigs invasion in Cuba, the Korean War, the Vietnam War, the war on Bin Ladin and Al-Qaida, and last of all, the Iraq War, where the bloodletting goes on, and no end is in sight. We do not need to give the United States any ideas, or prod it into action. European countries and the Gulf states are also targets, and they are the ones who have the power to cripple Iran with their economic sanctions and boycotts."

JONES